



FmHA AN No. 1748 (1955)

April 18, 1988

SUBJECT: Consideration for Taking Farm Property into Inventory

TO: All State Directors, State Directors-at-Large, Farmer  
Program Chiefs, District Directors, County  
Supervisors, Assistant Administrator Finance Office,  
FmHA

PURPOSE/INTENDED OUTCOME

The purpose of this AN is to provide guidance on the advisability of taking farms into Farmers Home Administration (FmHA) inventory and the servicing of present FmHA inventory farms that are subject to prior liens.

COMPARISON WITH PREVIOUS AN

This AN replaces FmHA AN 1495 (1955), dated November 6, 1986, and provides guidance to determine if farm property merits being taken into Government inventory.

IMPLEMENTATION RESPONSIBILITY

Extreme caution should be observed in determining whether FmHA should pay prior and/or junior liens in order to accept a voluntary conveyance or to accept a voluntary conveyance subject to a prior lien. In addition, the same consideration should be given to establishing a maximum bid at a prior lienholder foreclo-sure sale; or determining if the Government's redemption rights should be exercised. Several items should be considered in the decision process including the following:

1. Current market value of the farm.
2. Local farmland price trends.
3. Amount of all prior and junior liens and the accruing interest.
4. Direct costs to the Government associated with the acquisition, management and sale of the farm.

EXPIRATION DATE: October 31, 1988 FILING INSTRUCTION: Preceding  
FmHA Instruction 1955-A



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5. Estimated holding period before the property can be sold out of inventory.
6. Hazardous waste clean-up costs.
7. Conservation deed restriction requirements.
8. Other deed restrictions, -- i.e., Dairy Termination Program, wetlands and floodplains.

If the FmHA junior lien has neither present nor prospective value or its enforcement would likely be ineffectual or uneconomical, FmHA should NOT accept the voluntary conveyance and SHOULD release the lien as valueless under FmHA Instructions 1965-A, Section 1965.25(d). Release of valueless judgment liens must have the consent of the Office of the General Counsel before State Director approval.

Third party foreclosure actions and requests by the borrower(s) to make a conveyance to a prior lienholder should be approached solely on the basis of prospective value. Release of redemption rights will be in accordance with FmHA Instruction 1955-A, Section 1955.13.

In those cases where FmHA acquired the property subject to a prior lien and it is now determined that there is no net recovery value in the property for the Government, FmHA may convey its title to the prior lienholder in accordance with FmHA Instruction 1955-C, Section 1955.149(a), with prior concurrence from the FmHA Administrator. The material needed for submission to the National Office is the same as set out in FmHA Instruction 1965-A, Section 1965.25(d), along with the State Director's recommendations. FmHA may also stop making payments and allow the prior lienholder to foreclose.

The attached worksheet should be used to show that a net recovery value to the government exists before consideration is given to taking farm property into Government inventory.



VANCE L. CLARK  
Administrator

Attachment

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WORKSHEET FOR ACCEPTING FARMER PROGRAM INVENTORY PROPERTY  
PRIOR LIENHOLDER ACTIONS - VOLUNTARY CONVEYANCE

The following estimate should cover the full time it is estimated that FmHA would have the property in inventory for

\_\_\_\_\_  
(present owner/borrower)

1. MARKET VALUE OF PROPERTY  
(Part 7, Form FmHA 422-1)

\$ \_\_\_\_\_

ESTIMATED HOLDING PERIOD IN YEARS \_\_\_\_\_

2. INCOME

a. Annual Rent \_\_\_\_\_ x Holding Period \_\_\_\_\_ = \_\_\_\_\_

b. Annual Royalties \_\_\_\_\_ x Holding Period \_\_\_\_\_ = \_\_\_\_\_

c. Other Annual Income \_\_\_\_\_ x Holding Period \_\_\_\_\_ = \_\_\_\_\_

d. Annual % Land Appreciation (if applicable) \_\_\_\_\_ x Holding Period \_\_\_\_\_ = \_\_\_\_\_

e. Other (Describe) \_\_\_\_\_ = \_\_\_\_\_

TOTAL ADDITIONS \_\_\_\_\_ \$ \_\_\_\_\_

3. EXPENSES

a) Total Prior Lienholder Indebtedness (P and I) = \_\_\_\_\_

b) Other Acquisition Costs (taxes presently owed, closing costs, junior liens, etc.) List: \_\_\_\_\_

\_\_\_\_\_ = \_\_\_\_\_

c) Annual Taxes & Assessment \_\_\_\_\_ x Holding Period \_\_\_\_\_ = \_\_\_\_\_

d) Annual Building Depreciation \_\_\_\_\_ x Holding Period \_\_\_\_\_ = \_\_\_\_\_

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- e) Annual Management Costs \_\_\_\_\_ x Holding Period \_\_\_\_\_ = \_\_\_\_\_
- f) Total Essential Repairs to Secure & Resell \_\_\_\_\_ = \_\_\_\_\_
- g) Annual % Decrease in Land Value \_\_\_\_\_ x Holding Period \_\_\_\_\_ = \_\_\_\_\_  
(if applicable)
- h) Total Anticipated Resale Expenses (Commissions, Advertising, etc.) \_\_\_\_\_ = \_\_\_\_\_
- i) Total Interest Cost
- MKT Value Regular\* Holding  
\$ \_\_\_\_\_ x OL Rate \_\_\_\_\_ x Period \_\_\_\_\_ = \_\_\_\_\_
- j) Value loss due to deed restrictions (Conservation, Dairy, wetlands and floodplains, etc.) \_\_\_\_\_ = \_\_\_\_\_
- k) Hazardous Waste Clean-up Costs \_\_\_\_\_ = \_\_\_\_\_
- TOTAL DEDUCTIONS (items a through k) \$ \_\_\_\_\_

4. RECOVERY VALUE END OF HOLDING PERIOD

$$1. \frac{\text{Market Value}}{\text{Market Value}} + 3. \frac{\text{Total Additions}}{\text{Total Additions}} - 4. \frac{\text{Total Deductions}}{\text{Total Deductions}} = \$ \frac{\text{Recovery Value}}{\text{Recovery Value}}$$

\_\_\_\_\_  
County Supervisor

\_\_\_\_\_  
Date

\* The regular operating loan rate more nearly reflects the Government's costs of money.